

## Message Text

CONFIDENTIAL

PAGE 01 STATE 010889  
ORIGIN DOE-11

INFO OCT-01 EA-10 ISO-00 SOE-02 EB-08 /032 R

DRAFTED BY DOE/IA/INR:BKRITZER:EW  
APPROVED BY EB/ORF/FSE:GARSEN  
DOE/IA/INR:PBORRE  
EA/TIMS:ECHESKY

-----015196 141012Z /13

R 140227Z JAN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 010889

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: PAC-INDONESIA LNG: DOE MEETING WITH PERTAMINA  
REPRESENTATIVE

1. GEORGE BENSON, DIRECTOR OF PERTAMINA'S WASHINGTON  
OFFICE, CALLED ON DOE/IA DEPUTY ASSISTANT SECRETARY BORRE  
JANUARY 6 TO DISCUSS THE GOI'S REACTION TO THE PAC-INDO  
DECISION.

2. ACCORDING TO BENSON, MINISTER SADLI AND DIRECTOR  
WIJARSO FOUND THREE MAJOR PROBLEMS WITH DOE'S DECISION TO  
APPROVE THE PAC-INDO PROJECT BUT TO DISALLOW THE PRICE  
ESCALATOR PROVISION.

(A) BENSON EXPRESSED WIJARSO'S OPINION THAT EFFORTS TO  
MODIFY THE ESCALATOR FORMULA MUST BE CONSISTENT WITH THE  
GOI'S OBJECTIVE OF COMPARABILITY IN PRICING OF INDONESIAN  
LNG BETWEEN U.S. AND JAPANESE MARKETS. DOE OFFICIALS  
POINTED OUT THAT GIVEN SOME OF THE VERY BASIC GEOGRAPHICAL  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 010889

AND MARKET DIFFERENCES, AND OTHER NATIONAL CONSIDERATIONS,  
THE DETERMINATION OF "COMPARABILITY" COULD BECOME A VERY  
SUBJECTIVE EXERCISE.

(B) ACCORDING TO BENSON, WIJARSO DESCRIBED SADLI AS FEELING  
THAT THE U.S. WAS DISCRIMINATING AGAINST INDONESIA BY

DISALLOWING THE PAC-INDO ESCALATOR WHILE AT THE SAME TIME APPROVING DISTRIGAS PROJECT WITH THE ALGERIAN ESCALATOR. DOE OFFICIALS RESPONDED BY NOTING THAT DOE/ERA'S ACTIONS IN THE DISTRIGAS CASE SHOULD BE VIEWED DISTINCTLY. DISTRIGAS REPRESENTED AN EXPANDED BUT RELATIVELY SMALL PROJECT (FROM 15-40 BILLION CUBIC FEET A YEAR COMPARED TO 200 BILLION CUBIC FEET PER YEAR FOR PAC-INDO) WHICH HAD BEEN OPERATING FOR FIVE YEARS. UNLIKE THE PAC-INDO PROPOSAL, THE INVESTMENTS IN THE RECEIVING FACILITY AND SHIPS HAD ALREADY BEEN MADE; THESE EMBEDDED COSTS RESULT IN LOWER SHIPPING CHARGES AND A LOWER OVERALL DELIVERED PRICE (\$2.39 PER MMBTU AS OF JANUARY 1978) THAN ANY OTHER PENDING LNG IMPORT PROPOSAL. FINALLY, THE DISTRIGAS PROJECT OFFERED THE PROSPECT OF AN IMMEDIATE SUPPLY CONTRIBUTION TO U.S. ENERGY NEEDS.

(C) BENSON ALSO SAID SADLI REMARKED TO WIJARSO TO THE EFFECT THAT THE U.S. WAS BEING VAGUE WITH RESPECT TO WHAT TYPE OF ESCALATOR WOULD BE ACCEPTABLE AND WHEN THE ESCALATOR WOULD TAKE EFFECT. BORRE INDICATED WITHOUT MAKING A COMMITMENT FOR DOE THAT BY THE LANGUAGE OF THE DECISION IT COULD BE REASONABLY INFERRED THAT AN FOB ESCALATOR FORMULA BASED ON THE U.S. GNP DEFLATOR OR WHOLESALE PRICE INDEX MIGHT RECEIVE FAVORABLE CONSIDERATION FROM DOE/ERA. HE ALSO NOTED THAT THE ISSUE OF "WHEN THE ESCALATOR METER" WOULD START RUNNING WAS A TECHNICAL QUESTION WHICH COULD

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 010889

NOT BE LOGICALLY ADDRESSED IN THE ABSENCE OF AN AGREEMENT ON AN ACCEPTABLE ESCALATOR. BORRE ALSO INDICATED THAT THE CURRENCY PROVISION OF THE SALES CONTRACT WAS UNACCEPTABLE BECAUSE OF ITS LACK OF SYMMETRY IN THE RISKS BORNE BY THE BUYER AND SELLER.

3. BORRE INFORMED BENSON THAT DOE HAD AN OPEN ATTITUDE TOWARD THE PROJECT, AND THAT RESOLUTION OF THE ESCALATOR ISSUES MIGHT GO A LONG WAY TOWARD RESOLVING MANY OF THE REMAINING ISSUES AT THE FEDERAL LEVEL. HE STATED THAT ONCE THE ADMINISTRATION HAD ACHIEVED ITS OBJECTIVE OF RAISING DOMESTIC WELLHEAD PETROLEUM PRICES TO MARKET LEVEL VIA PROPOSED TAXES OVER THREE YEARS, FUTURE MOVEMENTS IN U.S. PRICES COULD NOT BE LINKED DIRECTLY OR INDIRECTLY TO CARTEL PRICING ACTIONS; RATHER, NEW OIL PRICES WOULD TRACK WITH DOMESTIC MEASURES OF ECONOMIC PERFORMANCE, AS ENVISAGED IN THE NATIONAL ENERGY PLAN.

4. BENSON INDICATED THAT PERTAMINA, THE LAWYER FOR THE PAC-INDO LNG COMPANY AND THE INVESTMENT BANKERS WOULD MEET IN INDONESIA AND DISCUSS THE DOE DECISION. FROM THOSE MEETINGS, PERTAMINA MIGHT ATTEMPT TO DEVELOP AN

ALTERNATE ESCALATOR FORMULA FOR PAC-INDO TO FILE BEFORE

THE DOE/ERA. HE FELT THAT THERE WOULD BE A SERIES OF  
FILINGS AS DOE AND THE APPLICANTS NARROWED DOWN THEIR  
DIFFERENCES.

VANCE

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, LPG, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 jan 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE010889  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** BKRITZER:EW  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780022-0055  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780162/aaaacanj.tel  
**Line Count:** 123  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 71a363e3-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN DOE  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 apr 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3773724  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PAC-INDONESIA LNG: DOE MEETING WITH PERTAMINA REPRESENTATIVE  
**TAGS:** ENRG, ID  
**To:** JAKARTA  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/71a363e3-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014